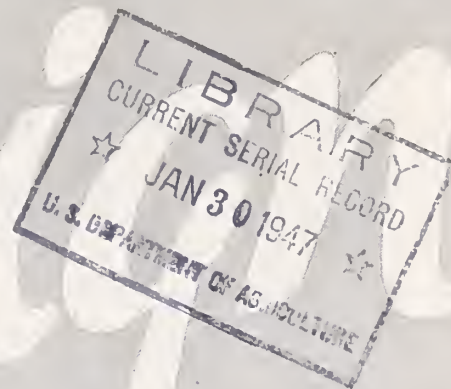


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FOREIGN AGRICULTURE

A REVIEW OF FOREIGN FARM POLICY, PRODUCTION, AND TRADE

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Canada's Wartime Agricultural-Export Policy

by FRANK SHEFRIN*

The value of Canadian exports of farm products more than tripled in the 6 years from 1939 to 1945. Exports were planned, and new administrative machinery was established to facilitate the movement of farm products out of Canada.

Wartime planning for Canadian exports of agricultural products covered not only the establishment of export quotas for materials in scarce supply but also a number of related policies which attempted to direct Canadian exports to particular destinations and areas. The extent and detail of the planning were increased by the obligation on Canada's part to share a portion of the burden of supplying liberated areas in Europe and Africa. The whole program developed step by step as war shortages became more serious and extended to more and more commodities.

One of the main objectives was to coordinate the distribution of Canadian supplies of critical materials with that of other supplying countries. This coordinated planning extended to many items which, while not critical in the war effort, related to the most essential needs of the civilian economy.

The recent war operated in various ways to affect the volume, value, and direction of Canadian agricultural-export trade. At first, based upon the experiences of World War I, the expectation was that it might bring, almost at once, a greater demand for Canadian products. This demand, however, did not develop rapidly in the early stages of the conflict. There was, in fact, a reduction in the export of certain products. Britain, Canada's major customer, like the other European belligerents, entered the war with stores of food and other military supplies. And for a time, Britain was able to keep the sea routes open to maintain existing stock piles of the more essential foods. The United Kingdom Government also followed a policy of husbanding exchange and shipping space. This resulted in a decision to restrict imports of such commodities as apples and tobacco. This decision, together with the existence of a surplus of wheat already on hand in Canada, and a tendency in many lines to increase production, presented difficult problems to Canadian farmers.

Britain's imports of Canadian farm products were dependent upon the policy laid down by the British Government. This policy was continually subject to change as military events affected the position of the United Kingdom. A wide variety and range of factors also were taken into consideration, including the supply of foreign exchange, the most effective use of shipping space, the maintenance of an adequate diet, and the availability of storage facilities in the United Kingdom.

The food position of the United Kingdom changed with the invasion of Norway, Denmark, and the Low Countries and the intensification of submarine warfare. The extension of the war into the Pacific, in the early part of 1942, brought other developments. Supplies available to the United Kingdom from the Pacific area were curtailed, and this resulted in an increased demand upon countries more accessible. The United Kingdom had to draw upon Canada for more products and to feature those that were high in food value, relative to volume.

The principal Canadian farm products asked for by Britain, apart from wheat, were: Bacon and pork products, cheese and evaporated milk, eggs, processed fruits and vegetables, beef, and processed poultry. The demand was for concentrated foods of "protective" or "vitamin" classification, since shortage of shipping precluded the forwarding of any but the most essential food-stuffs.

Although the number of countries with which Canada formerly traded was reduced by the spread of hostilities, the war opened up more extensive export markets for some Canadian farm products. This was particularly true in the case of animal-protein foods, including meats, dairy products, and eggs.

Administration of Exports

To an increasing degree, as the war progressed, the peacetime procedure of operating through private trade channels was abandoned in favor of intergovernmental agreements. The shipment of commodities was mainly controlled through boards

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set up for this purpose. Farm products went forward under agreements or contracts involving time, quantity, and price. The wartime economic controls, including direct participation on the part of Government agencies in international trade, were adopted solely as a means of furthering the war effort and not as instruments of commercial policy.

Briefly, the Agricultural Supplies Board had the general responsibility of assuring supplies of Canadian farm products to meet commitments made to the United Kingdom, although the actual purchasing and forwarding of these supplies was the responsibility of the Meat Board, the Dairy Products Board, and the Special Products Board. The Wheat Board negotiated agreements and facilitated the supplying and moving of wheat purchased by the United Kingdom Ministry of Food. Through these boards, negotiations were carried on for sale and delivery of food products to Britain.

Canadian export of agricultural products was coordinated under the Food Requirements Committee. The Committee had to deal with questions of policy arising out of the need for coordinating Canada's export commitments to the United Nations, the domestic food needs, and other factors which had to be taken into account to ensure a balanced war effort. The Committee made recommendations on matters concerning embargoes, or other export and import restrictions of foodstuffs, and all proposed agreements concerning external trade in food. These recommendations were made effective through the authority of the Federal Departments represented on the Committee.

In addition to the above-mentioned boards, Canada was jointly, with the United Kingdom and the United States, a member of the Combined Food Board. This agency was charged with the responsibility of directing United Nations food supplies where most needed and of assisting in the development of adequate food-production programs.

Export Control

The war automatically terminated Canadian trade with enemy or enemy-occupied countries. With that of the rest of the world, the outgoing commerce of Canada was, to a large extent, affected by controls in force in many countries. These

subjected imports to the requirements of license from governmental authorities, quota limitation, restrictions on issue of exchange for payment of merchandise, and related official supervision of purchases from abroad. Restrictive measures of this kind varied in different territories and, taken on the whole, underwent frequent modifications.

The Canadian "regulations respecting Trade with the Enemy (1939)"¹ as amended, were replaced by "Consolidated Regulations respecting Trading with the Enemy (1939)."² The regulations prescribed conditions governing enemy property and related subjects, as well as export control.

The main purposes of export control during wartime were: (1) To prevent Canadian exports from falling into enemy hands; (2) to conserve critical or strategic supplies needed by Canada and the United Nations; (3) to aid in distributing available materials in the manner most advantageous to carrying on the war; and (4) to serve as a positive weapon in economic warfare—to secure supplies Canada lacked in exchange for commodities offered.

The Canadian wartime export policy was designed to facilitate the movement of farm products to specified outlets (United Kingdom and other Allies); and, at the same time, to assure adequate supplies for the domestic market. The Agricultural Supplies Board, from its establishment on September 9, 1939, was interested in the control of exports of such commodities as might be required in Canada for agricultural purposes. During the first 18 months of the war, control over exports was by individual Order in Council in each case. All this control was later coordinated under the Export Permit Branch, Department of Trade and Commerce. Under this arrangement, the Agricultural Supplies Board was requested to deal with all applications for permit to export any of the commodities of concern to the Board. The Foods Administration of the Wartime Prices and Trade Board supervised the export of certain foodstuffs that were liable to affect total domestic supplies. Some of the many commodities which came under control were: Livestock feeds, live cattle, vegetables, hogs, dairy products, cereals, and fiber flax.

¹ P. C. 2512, September 5, 1939, under and by virtue of the War Measures Act (R. S. C. 1927 C. 206).

² P. C. 3959, August 21, 1940, and further slight amendments to the Consolidated Regulations were effected by P. C. 5353, October 3, 1940, and P. C. 9797, December 16, 1941.

Mutual Aid³

The foods Canada sent out, other than to its troops, went to three groups of countries—the Allies, friendly or neutral nations, and reoccupied countries. Food transferred to any nation was sold under the usual terms of trade or shipped first under a billion-dollar gift and later under the Mutual Aid Act. The actual transfers to any country were usually on the basis of some form of agreement that outlined terms of sale or the terms of "Mutual Aid."

Expenditures from the Mutual Aid Appropriation on food supplies (excluding fish) sent overseas during April–March 1943–44 to 1944–45, according to the Second Annual Report of the Canadian Mutual Board, totaled \$331,491,000 (Canadian).⁴ Of this, \$289,201,000 covered foodstuffs sent to the United Kingdom, the largest item of which was bacon, amounting to \$133,751,000. The expenditure for foodstuffs sent to the U. S. S. R. totaled \$22,705,000, most of which was for shipments during 1944–45, largely of flour, lard, and wheat. Wheat to New Zealand represented \$963,000, all of which was expended during 1944–45. For wheat, flour, and seed potatoes sent to France, a total of \$8,291,000 was reported; for wheat to India, \$5,575,000; and for flour to the British West Indies, \$4,756,000.

Wartime Changes in Foreign Markets

World War II produced many changes in the Canadian agricultural-products export picture (table 1). At the outbreak, surplus stocks of wheat were large in Canada, as well as in the other principal wheat-exporting countries, but wheat moved out of Canada at a fair rate. When Germany invaded Norway, Denmark, and the Low Countries in the spring of 1940 and later conquered France, the continental markets to which Canadian wheat had been sold in substantial quantities prior to the war were eliminated. This loss was

offset, however, by larger shipments to Great Britain. Canada became a major source of supply, particularly for Great Britain, when the shipping situation greatly curtailed the movement of wheat from Australia and Argentina. The entry of Japan into the war further aggravated Australia's position as a wheat exporter.

The demand for feed grain increased greatly with the expansion of livestock population in Canada and the United States. Export shipments of Canadian oats and barley to the United States reached a new high during World War II. In the calendar years, 1942, 1943, and 1944, record totals of 92.7 million bushels of barley and 169 million of oats were exported to the United States. Increased livestock population on the North American Continent necessitated the use of wheat, as well as corn and other feed grains, for feed. During the crop year 1943–44, the consumption of wheat as livestock feed, particularly in the United States, reached a new high. United States imports in 1943 and 1944 of Canadian wheat for feeding totaled an estimated 150 million bushels.

Another striking development during this war was the rapid expansion in the volume of exports of livestock products and meats from Canada to the United Kingdom. In the period between the two world wars, the numbers of live cattle exported to either the United States or the United Kingdom were low until 1935, when the movement to the United States increased substantially. The annual movement to this country remained relatively large, ranging around the quarter-million mark, until exports were prohibited in 1943. No live cattle were sent to the United Kingdom after 1939.

Beef and pork products were the only meats that Canada exported in any volume in prewar years, and the quantity of pork products in the form of bacon, hams, and fresh pork was much more extensive than that of beef. The United Kingdom, generally, was the most important market for Canadian meats. In the case of beef exports, the quantity shipped to the United Kingdom dropped to zero in 1940–41, and the movement was not again substantial until the beginning of 1944, during which year beef shipments reached a total of almost 112 million pounds.

Almost at the very beginning of the war, the United Kingdom asked that Canada increase the export of pork products as rapidly as possible. The results were sensational. From the time the

³ War Appropriation (United Kingdom Financing) Act, 1942—1 billion dollars.

War Appropriation (United Nations Mutual Aid) Act, 1943—1 billion dollars.

War Appropriation (United Nations Mutual Aid) Act, 1944—800 million dollars.

⁴ The Canadian dollar, according to the average annual official rate of exchange, was equivalent to 90.9 U. S. cents during 1939–45; on July 8, 1946, it was officially set at 100.0 U. S. cents.

Germans overran Denmark, Canada became the principal supplier of pork products to Britain, and all in all shipped to that country during the 6-year period, 1940-45, a total of more than 3 billion pounds of pork products.

TABLE 1.—Exports of specified agricultural commodities from Canada, average 1935-39, annual 1944-46

Commodity	Unit	Average 1935-39	1944	1945	1946 (est.)
Wheat and wheat flour ¹	Bushels	² 164,517	342,946	340,107	229,000
Pork ³	Cwt.	1,796	7,177	4,620	2,955
Beef ³	Cwt.	109	1,074	1,948	2,309
Butter	Cwt.	66	47	56	50
Cheese	Cwt.	797	1,314	1,354	950
Condensed milk	Cwt.	23	179	187	188
Evaporated milk	Cwt.	217	273	708	511
Eggs in shell	Dozen	1,445	1,440	42,243	35,767
Eggs, dried	Pounds	⁽⁴⁾ 18,988	24,850	13,281	
Fresh apples	Barrels	2,135	1,025	572	2,333
Dried apples	Pounds	1,367	4,178	6,369	80
Canned apples	do	11,746	1,149	3,288	10,000

¹ Export clearances and imports into the United States, crop years beginning August 1.

² Average 1936-39.

³ All classes on dressed-carass basis.

⁴ No exports shown.

Source: Quarterly Bulletin of Agricultural Statistics, January-March 1946, Dominion Bureau of Statistics, Ottawa.

Cheese and eggs were important in the wartime rations of the British. Cheese exports jumped from the 1935-39 average of almost 80 million pounds to more than 131 million pounds in 1944. Purchases by the United Kingdom of Canadian eggs, shell and powdered, rose to a new high in total export figures showing a remarkable increase from an annual prewar average of about 1.5 million dozen to 89 million dozen in 1945.

The export of Canadian apples was immediately affected by the war. During the first year, shipments to Great Britain were reduced to 50 percent of normal, and few fresh apples were exported in the following years. Large quantities of canned and dehydrated apples were shipped, however, in order to reduce the shipping problem and to utilize exportable supplies. During the 1943-44 season, shipments of fresh apples to Britain again became possible, but the movement was limited. The very fact that the United Kingdom had been the chief export market for Canadian apples aggravated the situation. Efforts were made to find other outlets in the Western Hemisphere, but, with the exception of some shipments of British Columbian apples to the United States, little progress was made.

Other products, which were wartime developments, shipped by Canada to the United Kingdom were dehydrated vegetables, such as potatoes,

onions, carrots, turnips, and cabbage. A greater outlet was also found for processed fruits.

During the war years, 1940 and 1943, of the total Canadian agricultural production, from 22 to 44 percent was exported. The total value of exports of all Canadian farm products⁵ (raw, partly manufactured, and fully or chiefly manufactured) exceeded 1 billion dollars in 1944 and again in 1945, or three times the 1939 total. (See table 2.)

Not only were there changes in the methods of handling the various farm products and in kinds and quantity of agricultural goods going overseas, but the products changed in form during the war. In order to conserve shipping space and containers, and to ensure keeping quality, Great Britain turned more and more to the importation of processed foods, such as dried eggs, dehydrated fruits and vegetables, canned pork loaf, canned ham loaf, and boneless beef. The wartime advantages of this method of processing are obvious.

TABLE 2.—Value of total Canadian exports of produce of farm origin and of shipments to the United Kingdom by various Boards, 1939-45

[Million Canadian dollars]

Item	1939	1940	1941	1942	1943	1944	1945
Total exports ¹	300.1	323.2	417.4	437.6	697.7	1,026.9	1,093.3
Shipments to United Kingdom by:							
Meat Board ²		61.1	71.6	122.1	151.5	194.0	136.2
Dairy Products Board ²		15.8	19.2	32.3	24.3	26.1	28.8
Special Products Board:							
Total ²			9.9	17.5	23.2	59.2	53.9
Fresh apples ³			2.4		1.3	2.1	⁽⁴⁾ 1.9
Other fruit products ³			² 2.3	.6	.4	1.2	4.5
Dehydrated and other vegetable products ³			.7	1.3	4.4	5.8	44.4
Dried beans ³					.2	1.6	(4)
Eggs, shell and dried ³			4.1	13.1	14.0	34.2	36.3
Poultry, dressed ³					.1	6.9	42.5
Flax fiber ³			.4	2.1	2.1	1.2	41.1
Field and garden seeds ³				.1	.7	5.6	47.0
Certified seed potatoes ³				.2	.2	.7	4.2

¹ Dominion Bureau of Statistics; totals do not include farm products imported and reexported; but include raw, partly manufactured and fully or chiefly manufactured produce of Canadian origin.

² Agricultural Supplies Board and Agricultural Food Board—Report for year ended Mar. 31, 1946.

³ Special Products Board, Dominion Department of Agriculture; produce from the crops of the years specified.

⁴ Subject to revision.

⁵ Includes products to the value of \$136,432 from the 1939 crop and \$1,269,416 from the 1940 crop.

Food Commitments to Great Britain

One of the most important developments during the war, as regards the export of farm products, was the setting up of definite contractual relations

⁵ In this classification the expression "Canadian farm products" refers to commodities actually produced in their original form on Canadian farms.

between Canada and the United Kingdom. Contracts or agreements⁶ were drawn up between the Governments of the two countries to cover shipments of such agricultural products as cheese, evaporated milk, bacon, beef, mutton and lamb, eggs, vegetables, and fruit products. In these contracts, minimum or maximum amounts to be taken by the United Kingdom, the price to be paid, the period of delivery, and the quality were stated. In many cases, as the need arose or as shipping became available, the United Kingdom bought products not covered by agreement or contract. Prior to 1944, agreements for food shipments between the two countries were for a 1-year period. In 1944, agreements for bacon, cheese, eggs, and beef covered a 2-year period; evaporated milk, fruits, and vegetables were on a 1-year basis. (See table 3.)

During 1944, total supplies of hog products, beef, and eggs sent to the United Kingdom under agreements broke all previous records. In addition, limited quantities of butter, chickens, and turkeys were also shipped overseas. The 1944 agreements also covered shipments of 1,160,000 pounds of lamb and mutton.

Canada succeeded in meeting the majority of requests made by Britain for food products after the outbreak of war. Shipments of cheese, eggs, and bacon in some of the years exceeded the totals set in the agreements. (For detailed statistics, see table 3.)

Contracts for Nonfood Products

Shipments of vegetable and forage-crop seeds were made to Great Britain in fairly large quantities. Early in 1940, seedsmen in the United Kingdom commenced to make contracts with Canadian growers for the production of various kinds of vegetable seeds. The contracts were in-

creased in 1941 and 1942, after which a decision was made by the British Ministry of Agriculture that the discontinuation of private contracts was desirable. Starting with the 1943 crop, the British Food Mission of the Ministry of Agriculture placed contracts with the Special Products Board, which assumed the responsibility for shipping the seed.

As regards fiber flax, Canada had an open contract with Britain for the duration of the war and for 1 year thereafter. Britain agreed to take a minimum of 50 percent of Canada's total production, and the United States agreed to take the balance, less Canada's domestic requirements for the fiber. Shipments to the United Kingdom rose from 13,110 hundredweight in 1939 to 78,577 in 1943. The contract signed in 1942 expired in September 1946, and a new contract was negotiated for 1947.

Exports of flax fiber (all grades) to the United Kingdom were as follows:

<i>Processing and agreement year</i>	<i>Pounds</i>
1940-41-----	0
1941-42 (Aug. 12-Sept. 15)-----	1, 721, 536
1942-43 (Complete year)-----	7, 571, 990
1943-44 (Complete year)-----	8, 232, 437
1944-45 (Sept. 15-Sept. 15)-----	5, 200, 608
1945-46 (Sept. 16-Sept. 15)-----	2, 552, 186
1946-47 (Sept. 16-Sept. 15)-----	¹ 2, 300, 000

¹ Estimated.

Postwar Trading

Contracts with the United Kingdom have played an important role in the Canadian agricultural economy from the commencement of war to the present time. They were advocated as a means of providing agriculture with a greater degree of price stability.

This contractual type of arrangement is being continued in the postwar period. The United Kingdom and Canada have agreements for certain foods—wheat, bacon, beef, lamb and mutton, cheese, evaporated milk, eggs, poultry, apples, peas, and beans—and for fiber flax.

The major agreement is the 4-year 1946-50 wheat agreement, under which Canada will sell to the United Kingdom during the period a total of 600,000,000 bushels of wheat. During each of the first 2 years, 1946-48, 160,000,000 bushels will be provided at a fixed price of \$1.55 (Canadian) per bushel, basis in store Fort William-Port Arthur, Vancouver, or Churchill. The United Kingdom

⁶ The following is an abridged list of Orders in Council passed by the Canadian Government, covering agreements for major products:

- P. C. 1351, March 1, 1945, and P. C. 2019, May 30, 1946—Bacon.
- P. C. 9307, December 19, 1944, and P. C. 4031, Sept. 26, 1946—Beef.
- P. C. 1350, March 1, 1945—Beef.
- P. C. 9306, Dec. 19, 1944, and P. C. 5832, Sept. 11, 1945—Mutton and lamb.
- P. C. 3078, May 3, 1945, and P. C. 2020, May 30, 1946—Cheese.
- P. C. 3741, May 27, 1945—Evaporated milk.
- P. C. 2152, May 30, 1946—Dried skim-milk powder and unsweetened condensed milk.
- P. C. 3742, May 29, 1945—Eggs.

TABLE 3.—Canada-United Kingdom food-export agreements, 1939-48

Product and terms of agreements	Agreements							
	First	Second	Third	Fourth	Fifth	Sixth	Seventh	Eighth
BACON								
Period covered	11-1-39 10-31-40	11-1-40 10-11-41	10-12-41 11-21-42	11-21-42 12-31-43	1-1-44 12-31-45	1-1-46 12-31-46	1-1-47 12-31-47	1-1-48 12-31-48
Minimum quantity contracted for:								
Total million pounds	291.0	425.6	600.0	675.0	¹ 900.0	450.0	350.0	² 400.0
Weekly do	5.6	8.2	11.5	13.0	8.7	8.7	6.6	
Percentage of Wiltshire sides specified								
percent	65	75	75	75	75	75	75	
Price per 100 pounds A grade Wiltshires F. A. S. Canadian seaboard Canadian dollars	18.01	15.82	19.77	21.75	22.50	³ 22.50	³ 25.00	(³)
Actual quantity shipped:								
Bacon and cuts million pounds	331.0	425.6	600.0	675.1	700.6	⁴ 408.5		
Pork offals do	2.3	12.7	10.6	11.8	13.3	⁴ 10.1		
Canned pork do			6.0	12.7	33.9	⁴ 6.5		
Lard do		4.4			9.0			
Hog casings 1,000 bundles			453.0	761.0	847.0	⁴ 666.0		
BEEF								
Period covered	1-1-44 12-31-45	1-1-46 12-31-46	1-1-47 12-31-47	1-1-48 12-31-48				
Minimum quantity contracted for:								
Total million pounds	¹ 100	60	120	² 120				
Weekly do	1.0							
Price per 100 pounds medium-quality steer carcasses Canadian dollars	20.75	20.75	21.10					
Actual quantity shipped—carcass weight million pounds	348.5							
EGGS								
Period covered	4-1-41 12-31-41	1-1-42 12-31-42	1-1-43 12-31-43	1-1-44 12-31-44	1-1-45 12-31-45	1-1-46 12-31-46	1-1-47 12-31-47	1-1-48 12-31-48
Total quantity contracted for 1,000 dozen	⁵ 13,800	⁶ 38,100	⁷ 57,000	50,400	50,400	83,000	83,000	83,000
Price per dozen, grade A, large f. o. b. Montreal Canadian cents	24.36	32.12 (for winter) ⁸ 28.79 (for spring)	35.00	35.50	38.00 (in shell) 35.50 (for drying)	37.80 (in shell) 35.50 (for drying)		
Quantity actually shipped:								
In shell 1,000 dozen	15,336.6	4,133.5	33,624.8	79,920.0	42,000.0			
Dried do		33,402.5			47,700.0			
CHEESE								
Period covered	5-28-40 11-30-40	4-1-41 3-31-42	4-1-42 3-31-43	4-1-43 3-31-44	4-1-44 3-31-45	4-1-45 3-31-46	4-1-46 3-31-47	4-1-47 3-31-48
Total quantity contracted for million pounds	78.4	112.0	125.0	150.0	125.0	125.0	125.0	125.0
Price per pound—1st grade Canadian cents	⁹ 14.0	⁹ 14.4	⁹ 20.0	¹⁰ 20.0	¹⁰ 20.0	¹⁰ 20.0	¹⁰ 20.0	¹⁰ 20.0
Actual quantity shipped million pounds	93.1	115.4	142.1	116.2	123.1	126.7		
EVAPORATED MILK								
Period covered	7-1-40 3-31-41	4-1-41 3-31-42	4-1-42 3-31-43	4-1-43 3-31-44	4-1-44 3-31-45	4-1-45 3-31-46	4-1-46 3-31-47	4-1-47 3-31-48
Total quantity contracted for 1,000 cases	1,050	658	668	300	300	300	600	600
Price per case Canadian dollars	¹¹ 3.75	¹² 4.125	¹³ 4.45	¹⁴ 4.75	¹⁴ 4.81	¹⁴ 4.81	¹⁴ 4.95	¹⁴ 4.95
Actual quantity shipped 1,000 cases	709.0	643.7	668.4	300.8	300.4	703.5		

¹ 2-year agreement.² Contract negotiations completed for bacon and beef but not signed.³ \$22.50 up to Apr. 1, 1946; \$25 up to Jan. 13, 1947; \$27 up to Sept. 1, 1947; \$29 thereafter.⁴ Preliminary. ⁵ British Ministry of Food agreed to accept additional quantity.⁶ Main contract filled. Dried-egg contract was regarded as outlet for surplus of summer eggs, should such develop.⁷ Contract was for up to 9,000 long tons (2,240 pounds); that figure was not fixed.⁸ Canadian bonus of 3 cents per dozen added to export price.⁹ F. o. b. ship or railroad car, Montreal.¹⁰ F. o. b. factory shipping point.¹¹ F. o. b. steamer Canadian ports.¹² For Ontario and Quebec f. o. b. Atlantic ports; \$4 f. o. b. Vancouver or New Westminster.¹³ Montreal steamer or railroad car; \$4.32½ steamer or railroad car Vancouver or New Westminster.¹⁴ F. o. b. steamer or railroad car Montreal, or ports Vancouver and New Westminster.

Wheat and a few minor products not included in this table.

during each of the last 2 years of the agreement will accept 140,000,000 bushels at not less than \$1.25 per bushel in 1948-49 and not less than \$1 in 1949-50, same basis. The actual prices to be paid during the 1948-49 and 1949-50 seasons will be negotiated and settled not later than December 31, immediately preceding the crop year for which it is effective.

In determining the prices for these two crop years, 1948-49 and 1949-50, the United Kingdom will have regard to any differences between the prices paid under the agreement in the 1946-47 and 1947-48 crop years and the world prices for wheat in the latter mentioned crop years. In the event that the United Kingdom requires from Canada any additional quantities of wheat that the Canadian Government is prepared to make available, such additional quantities as the Canadian Government offers and the United Kingdom Government accepts, in all respects, are subject to the provisions of this agreement.

Contracts with respect to bacon and beef have been negotiated up to the end of 1948. The egg contract with United Kingdom offers an assured market for Canadian surplus eggs from February 1, 1947, to January 31, 1949. (For details, see table 3.)

The contracts with respect to lamb, mutton, and offals are being extended to 1947. The agreement for shipment of a maximum of 20 million pounds of mutton and lamb was from July 1, 1945, to December 31, 1946. Other shipments agreed upon were as follows:

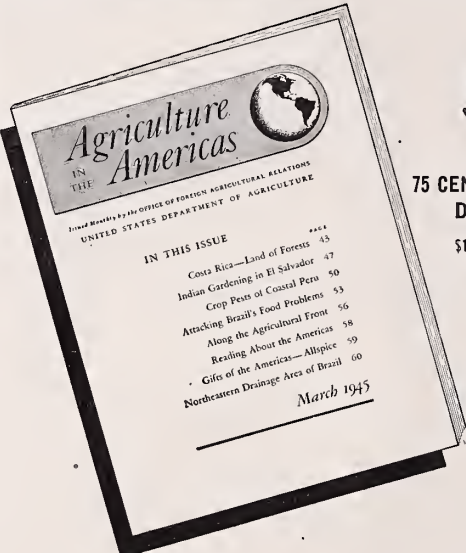
- 340,000 pounds of oxtails in 1945.
- 900,000 pounds of oxtails during January-June 1946.
- 350,000 to 500,000 pounds of beef tongues—1946.
- 12,500,000 pounds of frozen box-packed poultry—1946.


Export commitments of special products from the 1946 crops have been made as follows:

Product	Quantity
Fresh apples from:	
Nova Scotia.....barrels..	300, 000
British Columbia.....boxes..	2, 252, 000
Ontario.....barrels..	8, 000
Canned apples.....cases..	250, 000
Evaporated apples.....pounds..	80, 000
Processed fruits:	
Raspberries.....tons..	2, 500
Greengage pulp.....	500
Dried whole peas	
(white and yellow).....bushels..	374, 000
Dried beans.....do..	560, 000

The United Kingdom agreed to take for the 12-month period ending September 15, 1947, the entire production of dew-retted, scutched flax and pluckings, in grades Canada 1, 2, 3, 4, and Canada pluckings, and the entire production of dew-retted, scutched tow of the grades Canada A, B, and C, except such quantities of both flax and tow that may be required for processing in Canada or for other purposes.

Although long-term food contracts for exports have been signed, Canadian farmers will need to lay heavy stress on quality of products to maintain export markets. They will also have to become even more efficient in order to compete more effectively in the world market with farmers of other exporting nations.





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Argentina's Foreign Agricultural-Trade Policy—Part II

by OSCAR K. MOORE*

Argentina's export policy with regard to agricultural products is directed toward the maintenance of sufficient food at home at reasonably low prices. Simultaneously, however, an effort is being made to obtain the best prices available abroad for any surplus supplies. For these reasons, all exports are moving under quota and permits. State trading is being practiced to an increasing degree.

Policy Governing Export Trade

EXPORT QUOTAS AND PERMITS

Prior to World War II, the export trade of Argentina was encouraged by the Government and was free of governmental restrictions. Several of the country's agricultural products were outstanding in total world trade in these commodities. Argentine flaxseed accounted for more than three-fourths, Argentine corn for nearly two-thirds, and Argentine beef for more than half the respective totals of world exports during 1936-40. Other agricultural exports from Argentina, of significance in prewar world trade, were cattle hides, wheat, wool, and mutton and lamb. (See statement in Part I of this article [Foreign Agr. 10: 170-177] and fig. 1.)

After the war started, however, many export and reexport controls were adopted. Exports of some items were prohibited, and certain controls were enacted governing others. Goods were moved out of the country under quotas, and permits had to be secured prior to shipment. Since the war ended, the control of exports has become even more rigid than during the conflict.

Late in 1939, the Executive was granted authority to limit or prohibit exports of such prime necessities as food, clothing, fuel, medical supplies, and construction materials. Export movements were subject primarily to an Export Bureau of the Department of Industry and Commerce, which issued export quotas and assigned export permits, and secondarily to the Central Bank. Prior authorization was required for the export, or reex-

port, of numerous agricultural commodities, including flour, beans, chickpeas, coffee, cacao, tea, potatoes, rice, lard, soap, textiles, cotton fibers, honey, molasses, and hides.

When buyers of liberated continental European countries entered the Argentine market about mid-1945, certain commodities were in short supply throughout the country, and especially in ports, because of a small harvest and deterioration of inland transportation facilities. Argentina, however, was the only major agricultural surplus producer that did not have international allocation controls over most of its exports. This intensified the interest of European buyers in its supplies, because their countries desperately needed food for the winter of 1945-46. The resulting scramble for the small quantities of available supplies had an inflationary effect, and prices of some foods had already risen as much as 300 percent during the war. Buying countries had reached no prior agreement to coordinate purchases. Argentina was therefore in a strong trading position and could dispose of its surpluses under favorable terms.

Prices of barley, rye, and oats were especially stimulated, because free trading was permitted in these commodities. By early 1946, some grains reached the highest price levels in the history of the country. Free trading in meats, certain animal fats, and vegetable oilseeds and oils was not permitted because of an agreement with the British Ministry of Food and the United States Commercial Company in accordance with recommendations of the Combined Food Board.

Export quotas for butter were established in late 1945, with a monthly export allocation of 1,100 short tons. This quota was modified in subsequent months depending upon variations in milk flow. The Export Bureau considered requests submitted by butter exporters and authorized exports up to the amount allocated. When requests exceeded the quota, allocations were made among the applicants. Export quotas for fabrics, yarns, and threads of pure and mixed wool also were established in 1945.

*Office of Foreign Agricultural Relations.

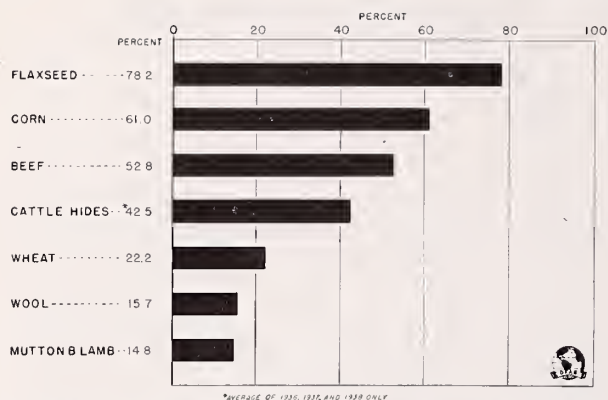


FIGURE 1.—Argentine exports as percentages of world total exports of specified commodities, average 1936-40.

A decree¹ of December 31, 1945, empowered the Secretary of the Department of Industry and Commerce to control exports by permits whenever necessary to conserve food for internal consumption. This was put into effect for practically all food products by a resolution of the Department of Industry and Commerce of March 11, 1946. Almost 200 items were subjected to control, including meats, grains, dairy products, eggs, poultry, edible and inedible fats and oils, vegetable products, preserves, and candies. The object of this measure was not only to prevent internal shortages and halt inflation but also to direct exports where most needed, as to starvation areas in Europe and to countries supplying needed imports.

Exports of rice, hides, leather, and fresh and preserved eggs were prohibited in 1946 because of shortages in these commodities within Argentina. Exports of animal fats, oilseeds, and oilseed products were virtually brought to a halt in July 1946.

COMMODITY CONTROLS

The Argentine Grain Regulation Board,² a governmental agency, was organized during the depression to render assistance to the grain industry. Grain was bought at support prices from 1933 through 1936. Thereafter the Board was inactive until 1939, when it again commenced to support prices because of the effects of the war upon world markets. After the war began, it handled several commodities in addition to grain and in some cases has become the sole exporter. When the war ended in 1945, world food demand became so great that the Board sold commodities on the world market at prices far in excess of those received by domestic producers. The differentials

in its buying and selling prices have been used to cover the losses incurred when prices were supported in previous years.

In 1933, the Grain Regulation Board began to fix support prices for wheat, flaxseed, and corn.³ It purchased at these fixed prices and sold at world prices on the export market, thus suspending private trading. The losses were covered by income derived from exchange-control transactions. Improvement in world prices resulted in termination of the Board's operations in 1936.

Surpluses created by the wartime loss of important market outlets caused the renewal of the Board's operation in 1939, when support prices were again fixed for wheat and flaxseed. In the following year, minimum prices were established for corn, wheat, barley, and flaxseed, and the Board acquired exclusive control of the marketing of these commodities. To receive price benefits, producers were required to reduce their cultivated acreage. Revenue for the Board's operation was raised by levying a tax on grain processing. Because large surplus stocks had accumulated, monopoly control of the grain trade was assumed by the Grain Regulation Board in November 1941, and sunflower seed was added by the end of the year.

Production control was relaxed in 1943. This was because of crop failures and an increasing demand for grain for use as domestic fuel when the serious wartime shortage of shipping space prevented the importation of coal and petroleum. In that year, the Board was reorganized under a new name, the Board for the Regulation of Agricultural Production.⁴ Its regulatory powers were extended to other agricultural commodities, and grain elevators were placed under its supervision as public utilities. Most of the Argentine and British elevators and other port installations for handling grain were expropriated by the Federal Government in 1944. The remainder were taken over in April 1946.

In 1944 the Board was reported to have made a profit of 65.5 million pesos (\$16,200,000) on its grain trading. This reduced to 539.4 million pesos (\$133,500,000) the deficit incurred from 1939 through 1943, which included 162.7 million pesos

³ For a comprehensive discussion of the activities of this Board up to 1942 see: NOLAN, LOUIS C. THE EVOLUTION OF THE ARGENTINE GRAIN PRICE-GUARANTEERING POLICY. *Foreign Agr.* 6: 195-203, illus. 1945.

⁴ *Junta Reguladora de la Producción Agrícola.*

¹ Executive Decree No. 34683.

² *Junta Reguladora de Granos.*

(\$40,300,000) of administrative expense, interest, and commissions. At the end of 1944, however, the Board owed the Central Bank 808.3 million pesos (\$200,000,000), which included funds borrowed for current operations.

During the wartime emergency—from 1939 through the early months of 1945—the Argentine Government supported prices. When European buyers entered the market at the end of the war in 1945, however, foreign demand strengthened, and prices tended to advance above support levels. Nevertheless, a free market was not restored, for the Board continued its control over certain exports under an Executive decree of December 26, 1944. The Board refused to issue export permits for corn, except to gain special concessions, which will be mentioned later. It continued as the sole purchaser of export wheat but bought the grain at prices that were more in line with rapidly rising world prices and thus above the support levels. The Board continued to sell the entire exportable surplus of flaxseed and linseed oil to the United States Commercial Company as it had done during the war, with the exception of the usual sales to other countries of Latin America and to the neutral countries of Europe.

As a result, private trading in these commodities was prohibited, and sales were channeled accordingly. Producers received the fixed prices, but the Board sold on the world market at whatever it could get. Profits made by the Board on these transactions went into the national treasury to offset subsidy payments to domestic millers,⁵ and if a balance remained, the Board indicated that it would make pro rata payments to producers. Producers were fearful, however, that the Government would not demand the maximum possible export price obtainable on a free market and that, through administrative inefficiency, their share of the returns would be minimized.

The Argentine Government undoubtedly desired to realize as large a return as possible from the favorable export market. At the same time, it wished to keep domestic prices at low levels. High export prices normally tend to increase domestic prices somewhat proportionately. Consequently, many controls were placed upon domestic

prices and export shipments in an effort to pursue these conflicting objectives. Argentina attempted to create a system of dual prices—high export and lower domestic prices—in order to keep foreign buying from competing too severely with domestic buying. Although export controls were placed over some 200 items to reserve enough food for domestic consumption and keep local prices relatively low, certain quantities were placed on the international market at higher prices. Thus, in order to make such a dual-price system effective, the Government was forced to establish State control of prices and trading.

Corn.—The Regulation Board supported corn prices throughout World War II, buying and storing the grain whenever necessary. The short 1944–45 crop and the increasing need of the grain for fuel put the actual price, however, above the support price.⁶ Nevertheless, the export movement of this grain was controlled by a system of export permits to ensure adequate retention for domestic needs. The use of corn as fuel to provide heat and power was particularly important when coal and petroleum could not be imported.

From late March through September 1945, no offerings of export corn were permitted in view of the short new crop. On September 28, the Grain Regulation Board modified this by allowing exporters to move 220,000 short tons at 15.50 pesos per 100 kilograms (\$1.17 per bushel). By late 1945, when European buyers were in a position to reenter the market to purchase the grain needed for food and feed, they offered as much as 19.00 pesos per 100 kilograms (\$1.44 per bushel).

By 1946, fuel imports were plentiful, and the 1945–46 harvest was somewhat more abundant than that of 1944–45. Argentina, therefore, offered the grain on the open market. Because of the great demand created by the serious world food situation, export corn was quoted at 26.50 pesos per 100 kilograms (\$2 per bushel) in July 1946, but it declined to 21.00 or 22.00 pesos (\$1.59 or \$1.66 per bushel) in August, chiefly because of the large United States harvest.

Wheat.—Shortly after the termination of World War II, the Argentine Government adopted the principle of maintaining a differential between domestic and export wheat prices. A selling rate of 35.00 pesos per 100 kilograms (\$2.84 per bush-

⁵ The Government raised its buying price for wheat on November 10, 1945, to the equivalent of 15 pesos per 100 kilograms (\$1.22 per bushel, U. S. currency) and granted millers a subsidy of 5 pesos per 100 kilograms (\$0.41 per bushel) to avoid a rise in domestic bread prices. On this basis, millers had to pay 1 peso per 100 kilograms more than previously.

⁶ The support price was 7.70 pesos per 100 kilograms (\$0.58 per bushel) on cars at Buenos Aires, and the selling price reached 9.00 pesos (\$0.68).

el), exclusive of loading cost on board ship, was established and maintained for export wheat. This is nearly three times the price at which the Government offered wheat to domestic millers and 15.00 pesos per 100 kilograms above the payment to producers, including a 5-peso bonus. As a result, the profit made on export transactions reduced the Grain Regulation Board's indebtedness which had accumulated during previous low-price periods.

The buying price and rate of export movement of wheat was controlled by the Grain Regulation Board more or less continuously after the start of World War II. Although corn was sold by private grain dealers on the free export market at prices exceeding the Government-support price, the Grain Board, which had been the sole exporter of wheat, did not grant wheat producers prices for their exportable surplus in excess of support levels. The Board appeared to be more interested in low domestic wheat and flour prices than low domestic corn prices. All wheat for export had to be sold to the Government at its price-support level, which, consequently, was the actual buying price of the export crop.

Until November 10, 1945, the Board's support price for wheat was 9.00 pesos per 100 kilograms (\$0.73 per bushel), bulk basis on cars in Buenos Aires. Several weeks prior to this date, brisk demand permitted the Board to increase its selling price to exporters to 13.00 pesos (\$1.05 per bushel). Later the selling price advanced still further. Thus, on November 10, 1945, the Board raised its support price to 15.00 pesos (\$1.22 per bushel).

Millers producing wheat products for domestic use were required to purchase supplies in the open internal market at prices not lower than the Board's purchase price, and they were given a subsidy of 5.00 pesos per 100 kilograms (\$0.41 per bushel) on their purchases so as to hold the line on bread prices. The subsidy was later reduced to 3.00 pesos when the value of milling byproducts increased substantially. This made the net selling price to domestic millers 21.00 pesos. Actually, some millers, to ensure a supply, paid more than 15.00 pesos for wheat, despite the control of bread and flour prices.

During the early months of 1946, wheat exports were below expectations. In late 1945 and during the first quarter of 1946, the Argentine Government held prices paid to producers for export wheat at a level out of line with foreign demand

and relatively below other grain prices.⁷ This caused speculative holdings and an abnormally large movement of the grain to domestic millers, who were free to pay more than the price paid for export supplies.

On April 17, 1946, the Government by decree assumed control of all wheat exports and became the sole buyer of existing wheat of all crops at 15.00 pesos per 100 kilograms. A bonus payment of 5.00 pesos per 100 kilograms was offered for wheat produced in the 1945-46 crop year for 60 days, commencing on the above-mentioned date.⁸ An announcement was made that, if any wheat owner had not sold his wheat to the State by the end of this period, it would be expropriated at 15.00 pesos and the owner would be deprived of the benefits of future dealings with the Grain Regulation Board. By the end of the period, the Government owned practically all the nation's wheat.

The Government announced in November 1946 that the farmer would receive 16.00 pesos per 100 kilograms (\$1.38 per bushel) for wheat from the 1946-47 crop, grade 2, basis on cars or lighters in the port of Buenos Aires, for the first 331 short tons sold by either the individual farm or farmer and 15.00 pesos per 100 kilograms (\$1.22 per bushel) for all additional amounts. This compares with the 15.00 pesos paid at the beginning of the previous year to which was later added the bonus of 5.00 pesos per 100 kilograms. Farm organizations and the daily press registered extreme displeasure at these prices.

In accordance with intentions expressed before the International Wheat Council, Argentina, according to the Secretariat of Industry and Commerce, made donation commitments of 365,000 metric tons (about 13,400,000 bushels) of wheat for relief feeding in continental-European countries. Delivery of the donations was retarded by short crops and the inability of the Government to move grain to the ports in adequate quantities. A decree of March 13, 1946, authorized the Grain Regulation Board to deliver equal quantities of corn in place of wheat-donation commitments to France, Italy, and UNRRA.

A trend toward trade by barter is apparent in Argentina, not because of an exchange shortage but to ensure sources of needed supplies. An

⁷ 15.00 pesos per 100 kilograms (\$1.22 per bushel), bulk basis on cars in Buenos Aires.

⁸ This, in effect, increased the purchase price of export wheat by 40 cents a bushel, or from about \$1.22 to \$1.62 per bushel.

agreement with Spain providing for the exchange of Argentine wheat for Spanish iron and steel was canceled in March 1946, but some shipments of grain continued to go to that country. A new agreement was reached in October 1946 for the exchange of Spanish iron, machinery, and certain other products for Argentine meats, cereals, and other foods.

Argentina also agreed in June 1946 to sell Peru 180,000 tons (6,600,000 bushels) of wheat at 35.00 pesos per 100 kilograms during the remainder of 1946 in exchange for increased imports of coal, oil, lead, antimony, and other mineral products. Similar arrangements were made with other countries. The Argentine Executive announced in August that export permits for food shipments would be granted primarily to nations sending manufactured articles in reciprocation.

The Brazilian Foreign Office in October 1946 issued tentative terms agreed upon by Brazil and Argentina for a commercial agreement to be in force from January 1947 through 1951. The agreement has been approved by the Argentine Cabinet, and formal signature was expected by December 1. The chief feature of the agreement is an exchange of Argentine wheat for Brazilian rubber, tires, and textiles. As regards wheat, the following tentative terms, among others including price provisions, have been agreed upon, according to cabled information:

The Government of Argentina shall be obliged to sell and Brazil to buy, in monthly quotas, a minimum of 1,200,000 [metric] tons [44,000,000 bushels] of wheat per annum, during the life of the agreement, provided . . . that . . . the exportable surplus . . . does not fall lower than 2,600,000 tons [95,500,000 bushels]. In case the exportable surplus does not reach this figure, the Argentine Government shall be obligated to sell and Brazil to buy not less than 45 percent of the exportable surplus for the year in question.

Negotiations with other countries are in progress. The Anglo-Argentine meat agreement of October 1946 left only about a fifth of the Argentine exportable surplus of meat available for free trading. Consequently, relatively little wheat, or meat, appears to be available in Argentina for free markets. Other wheat-producing nations, notably Canada and Australia, have likewise entered into agreements for disposal of their wheat output. Thus, free international trading in these commodities is greatly reduced.

Other Grains and Oilseeds.—Oats, barley, and rye during the war were free of pricing, trading,

and quantitative controls.⁹ Thus, while the buying price of wheat increased 60 percent during 1945 by an upward adjustment of the Board's fixed prices, during the same period oats, feed barley, and rye increased in price by about 285, 350, and 375 percent, respectively, on the free market. Before the export price was set at 35.00 pesos, wheat producers said that the Board's policy prevented their grain from making similar advances. After it was set at this figure, the export price of rye, barley, and oats closely approximated that of wheat on a weight basis, and corn reached record levels also. Since there were no local ceilings on these grains, their high price forced the use of wheat as a substitute for them in feeding livestock.

During the war, the Grain Regulation Board bought the entire surplus outturn of oilseeds and vegetable oil and sold it at an agreed contract price to the United States Commercial Company. When the contract expired in 1946, however, representatives of the two nations could not come to terms on a new agreement, and exports of these products virtually ceased.

Under a decree of May 23, 1946, the Argentine Government assumed responsibility for the purchase and sale of oilseeds, vegetable oils, oil cake, and meal. The buying price per 100 kilograms of flaxseed was fixed by decree at 35.00 pesos; sunflower seed, 28.00 pesos; and shelled peanuts, 44.00 pesos.¹⁰

The buying prices per kilogram, f. o. b. ports, were fixed at 0.99 peso for linseed oil, 1.21 pesos for sunflower-seed oil, and 1.15 for peanut oil.¹¹ Under the decree, the Central Bank became the sole purchaser at these prices. It set the domestic and export-sale price and determined the quantities to be exported. Prior to the establishment of the above prices, growers received 17.00 pesos per 100 kilograms for flaxseed at terminal elevators, or \$1.28 per bushel. Under the decree, the State took possession of all stocks of oilseed in the country and of vegetable oils held for export, both at fixed prices.

In November 1946 the Government announced that it would pay 30.00 pesos per 100 kilograms for flaxseed from the 1946-47 crop instead of 35.00

⁹ These grains moved freely until the resolution of March 11, 1946, subjected them to export control by prior export permits.

¹⁰ Equivalent prices in U. S. currency are: Flaxseed, \$2.64 per bushel; sunflower seed, \$17.66 per ton; and shelled peanuts, \$118.84 per ton.

¹¹ U. S. equivalents: Linseed oil, \$0.135 per pound; sunflower-seed oil, \$0.163; and peanut oil, \$0.135 per pound.

pesos which had been paid for the previous crop.

Meat.—Livestock products, ordinarily second in export value after grains, go chiefly to the United Kingdom. They were exported to that country prior to 1933 on an unrestricted basis but thereafter moved under quotas established by the Roca-Runciman Agreement.¹² In 1936, British duties were levied against beef imports from non-Empire countries, and the import-quota system was extended.

An Argentine National Meat Board¹³ was created in 1933, with regulatory powers over the livestock industry. It was empowered to establish livestock and meat grades and classifications for the domestic and export markets, to standardize packaging and conditions of transporting, to construct and operate packing houses, to reduce domestic prices and raise consumption, and to levy a tax of 1 percent on the value of livestock sales to defray its operating costs and better the industry's welfare.

In 1934, the Meat Board organized the Argentine Corporation of Meat Producers,¹⁴ a producer-owned organization which slaughters and markets cattle for producers in competition with large packing houses owned by United States and British interests. In recent years the Corporation has acquired, constructed, and operated cattle-marketing agencies, packing houses, and storage facilities throughout the country in an effort to increase sales and lower the price of meat to domestic consumers.

When the British imposed import duties on Argentine beef in 1936, an Argentine Executive decree authorized subsidies for exports of beef to the United Kingdom. In effect, this was an indirect payment from the Argentine to the British Treasury. This subsidy was discontinued in August 1937, when beef prices increased. Other subsidies have aided cattle producers selling on the domestic and foreign markets from time to time. Funds for such subsidies are usually derived from exchange-control profits.

Argentine meat exports, unlike grain exports, were not retarded by World War II. While outranked by corn and wheat in prewar years, beef was the most important export during the war, most of it going to the United Kingdom.

Wartime meat exports moved under bulk pur-

chase agreements negotiated between the Argentine Meat Board and the British Ministry of Food. Negotiations began immediately after the war started in 1939, and the resulting agreement covered a 4-month period during which Argentina was to ship about 25 percent more meat than allowed under the Roca quota for the same months of the previous year. This agreement was extended from time to time under terms favorable to Argentina. A new agreement was signed in August 1943 to be effective until September 20, 1944, for 1,500,000 metric tons (1,650,000 short tons) of beef, mutton, pork, and beef products. It provided higher prices than the previous war agreements.

A general agreement was reached in August 1945—retroactive to October 1, 1944—between the Argentine Meat Board and the British Ministry of Food on the terms of a new bulk-purchase meat contract. The agreement provided that the Ministry, acting on behalf of the United Nations, would accept all available surplus beef and other meats for several years over and above the usual trade with Latin America at substantial increases in prices above the previous agreement which expired in 1944. Unless increased costs or other substantial changes in conditions should necessitate interim reviews and a consequent agreement to modify the terms, the agreement in respect to beef, mutton, and lamb was to continue until September 30, 1948. By mid-1946, however, in view of world prices, Argentina was extremely dissatisfied with the meat prices under the contract and demanded sharp upward revisions.¹⁵ A new Anglo-Argentine agreement was negotiated and made effective on October 1, 1946, under which somewhat higher meat prices were permitted.

Exports of meat were hindered in 1945 and 1946 by several factors. Drought in 1944 and 1945 seriously impaired pastures; short corn crops and increasing corn prices curtailed hog production; packing-house strikes were prevalent in both years; and increasing domestic consumer demand tended to divert supplies from foreign trade. The agreement of August 1945 fixed minimum hog prices at 55.00 pesos per 100 kilograms, live weight (\$7.40 per 100 pounds), which made hog production somewhat more profitable for a few months only.¹⁶ An increasing disparity between corn and hog prices reduced hog production and caused

¹² See the section on commercial-agreement policy of Part I.

¹³ *Junta Nacional de Carne*.

¹⁴ *Corporación Argentina de Productores de Carnes*.

¹⁵ See United Kingdom-Argentine Agreement section of Part I.

¹⁶ This part of the agreement was to terminate in February 1947.

Argentina to demand the still higher prices agreed upon in the Anglo-Argentine agreement of October 1946.

Under these agreements, the Argentine Government, through the Meat Board, did not trade directly in animal products as it did with certain crops through the Regulation Board.¹⁷ It, nevertheless, was the sole negotiator with the British for the livestock trade. Each agreement negotiated was for specified prices and quantities. Consequently, the Meat Board rigidly controlled prices of livestock products in an attempt to move the commodity at the agreed export price with fair profit to producers and packing houses, with treatment of both as equitable as possible.

TRADE PROMOTION

When the Central Bank assumed control of exchange transactions in 1941, a Trade Promotion Corporation¹⁸ was established to promote foreign trade. It encouraged nonregular exports, including eggs, cheese, fruits, wine, and some packing-house byproducts, as well as exports of new industrial products.

The Corporation was a nonprofit organization, whose stockholders represented firms interested chiefly in importing industrial goods. It had a capital of 1 million pesos; dividends were limited to 4 percent of the capital; and dividends and earnings were used to promote trade to develop foreign markets and for marketing research. The Corporation's principal income consisted of certain profits made on the Government's foreign-exchange transactions. These funds were used to make a survey of the nation's industry in 1942 and otherwise to stimulate industry—especially new enterprises. The Corporation promulgated export standards and collected trade statistics. Offices were maintained in Chile, Colombia, Ecuador, Mexico, Peru, the United States, and Venezuela.

¹⁷ This was true throughout the war and up to December 1946, the date of writing.

¹⁸ *Corporación para la Promoción del Intercambio.*

STATE TRADING

In May 1946, the Corporation was dissolved by decree to make way for a new Government-controlled entity, the Institute for the Promotion of Trade,¹⁹ which is to be more closely under the control of the Central Bank. The new organization is empowered to enter into import and export contracts. Its funds, like those of its predecessor, are drawn from the Central Bank. The Institute's functions will be similar to those of the Corporation but more closely State controlled. It will aid in the development of domestic industry, promote foreign trade, purchase supplies and equipment required by the Government from foreign sources, and act as a governmental agency in the negotiation of commercial agreements.

By decree, the Department of Industry and Commerce was authorized in August 1946 to grant permits for meats, tannin, casein, cheese, butter, potatoes, and ethyl alcohol extracted from molasses to the Institute for the Promotion of Trade only. As a result, the Argentine Chamber of Exporters addressed a memorandum to the President of the Republic which pointed out that the measure made the State the sole and obligatory exporter of certain products and forecast the possibility of the extension of State trading to all the nation's exports. Private exporters, according to the memorandum, were embarrassed, because they could not comply with existing contracts made with importers in various countries as a result of their failure to obtain export permits. Private initiative and free enterprise were said to be jeopardized by the Government's control over exporting.

In reply to the exporters' memorandum, the Secretary of Industry and Commerce issued a statement explaining that the exports under Government control were of commodities which were required domestically. Their export was governed in an effort to control domestic prices. The

¹⁹ *Instituto Argentino de Promoción de Intercambio.*

FOREIGN AGRICULTURE

HALLY H. CONRAD, EDITOR

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statement pointed out further that the Argentine Constitution did not grant absolute rights and that export control had a legal basis under existing Executive resolutions.

Prospects for Future Foreign Trade

Intensification of governmental controls in Argentina appears to be in prospect. On October 21, 1946, the Chief Executive outlined before a special session of the Argentine Congress a 5-year plan for the reformation of agriculture, industry, and society. The plan is based upon 27 measures submitted by the Executive to Congress. Immediate passage was expected in order that the plan could start functioning by January 1, 1947. The important phases of the plan are the extension of State control over the national economy and the industrialization of the country. The Chief Executive pointed out that one of the first steps under the plan would be the decentralization of industry, which is now largely located in Buenos Aires. He said that the State desired to put into effect an ordered economy under which it would sell products in a manner considered best for the interests of the nation.

Proposals in the 5-year plan include a program of selective immigration of farmers; federal colonization of public farms and reclaimed lands; assistance to private farm colonization and to farm-production cooperatives; soil-erosion, forest-management, and fisheries control and assistance; control and subsidization of plants processing essential commodities; and increased production goals for cotton, wool, and rayon yarns, coarse fibers, and washed wool.

Three governmental planning agencies were expected to take a prominent part in future reforms. The Agrarian Council was to plan certain land expropriations, colonization, and irrigation; the Postwar Council, industrial reorganization in an effort to make the nation industrially self-sufficient and a competitor on the world industrial market; and the Secretariat of Labor and Welfare, improved conditions for farm and industrial workers. Expropriation of the large *estancias* has not been undertaken as yet by the Government, but some have been subdivided by inheritance. The heavy taxes imposed on holdings over 25,000 acres in size favor subdivision.

Argentina emerged from World War II with reduced foreign indebtedness,²⁰ increased gold reserves, accumulated foreign exchange,²¹ expanded Government ownership of important local enterprises, and stimulated domestic industrial output. In the future its foreign trade will contain a larger proportion of industrial exports. The country is in a position to continue offering the international market large quantities of beef, mutton, lamb, pork, lard, and dairy and poultry products. The corn-hog ratio will be a strong controlling factor in pork and lard production, because, although Argentine cattle and sheep are produced chiefly on pasture grasses, hogs are raised on corn.

Argentina will offer the world market more vegetable oils because of wartime increases in the oilseed acreage. Expansion of oilseed-crushing facilities during the war has resulted in the export of vegetable oils instead of oilseeds. Large stocks of wool accumulated during the war. Disposition of these stocks has been favored by the good demand for the particular grade of the Argentine product, and by mid-1946 most stocks had been taken up. Considerable olive and tung oil probably will be offered the world market in a few years, since large acreages of olive and tung trees were set out during the war.

With regard to grain, Argentina will continue to be a leading exporter, even with marked declines in prices, because of conditions favoring grain production in that country. European grain demand should continue strong, even after famine conditions terminate, and Argentina will likely increase its corn and wheat acreages to prewar levels.²² Even with these increases, however, exportable surpluses of corn may not be so large as in prewar years because of some expansion in domestic consumption.

The improvement in the country's financial position means that less foreign exchange need be derived from exports to meet foreign financial obligations and to pay for necessary imports. Thus, Argentina, in the future, could survive financially on restricted foreign trade. The Government's strong control over production, marketing, and foreign trade of agricultural products and its control of industry probably will continue, particularly in view of the 5-year plan.

²⁰ The foreign debt was reduced by more than one-half during the war, and blocked funds could cancel the balance.

²¹ A large part of which is blocked in England.

²² Corn acreage declined by about one-third during the war; wheat acreage by about one-tenth.

